

**State Employee Benefits Committee  
Friday, February 24, 2012 at 2:00 p.m.  
Tatnall Building, Room 112  
Dover, Delaware**

The State Employee Benefits Committee met on February 24, 2012, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB  
Brenda Lakeman, Director, OMB, SBO  
Faith Rentz, Deputy Director, OMB, SBO  
Vicki Ford, OMB, Financial Operations  
Dawn Guyer, OMB, Financial Operations  
Rebecca Reichardt, OMB, BDPA  
Ann Skeans, OMB, SBO  
Dawn Davis, OMB, SBO  
Theresa Strawder, SBO  
Aaron Schrader, SBO  
Mary Thuresson, OMB, SBO  
Mike Morfe, AON Hewitt  
Howard Atkinson, Segal  
Andrew Kerber, DOJ  
Bethna Riveros, Governor's Office  
Leigh Ann Harrison, State Senate  
Carolyn Berger, Justice, AOC  
Russ Larson, Controller General  
Lori Christianson, Office of Controller General  
Tom Cook, Secretary of Finance  
Jenifer Vaughn, Department of Insurance  
Chip Flowers, State Treasurer  
Erika Benner, State Treasurer's Office  
Erin Guerke, State Treasurer's Office  
Julian Woodall, DHSS  
Wendy M. Brown, DHSS  
John McCartney, Pension Office  
Lisa Hudson, Pension Office  
Terry Mullaney, PHRST  
Monica Gonzales Gillespie, OMB, HRM

Pat Griffin, SEBAC Chair  
Judy Anderson, DSEA  
Frederika Jenner, DSEA  
Chris Ulrich, U of D  
Andrew Brancati, Blue Cross Blue Shield DE  
Faith Joslyn, Blue Cross Blue Shield DE  
Vonda Benson, Blue Cross Blue Shield DE  
Chris Alrich, Blue Cross Blue Shield DE  
Mike North, Aetna  
Katherine Impellizzeri, Aetna  
Patrick Currie, Aetna  
Julie Caynor, Aetna  
Chad Schaben, Alere  
Bob Bruce, Coventry  
Sue Minshu, Coventry  
Gina Chmielewski, Coventry  
Theresa Vreken, Coventry  
Kim Hawkins, City of Dover  
Lisa Carmean, City of Milford  
Carrie Schiavo, Delta Dental  
Joe Morocco, HMS  
Bill Biordi, RBS  
Jim Testerman, DSEA - R  
Sandy Richards, AFSCME  
Rich Phillips, DSEA - R  
Cynthia Angermeier, DSEA- R  
Hugh Ferguson, DRSPA  
Karol Powers-Case, DRSPA  
Dave Leiter, State Employee

Agenda Items Discussed:

**Introductions/Sign In**

Director Visalli called the meeting to order at 2:00 p.m. Those who wanted to make comments were reminded to sign up.

**Approval of Minutes**

Prior meeting minutes were reviewed. Director Visalli requested a motion to approve the minutes from the January 30, 2012, SEBC meeting. Controller General Larson made the motion and Secretary Cook seconded the motion. Upon unanimous voice vote the minutes were approved.

### **Directors Report – Brenda Lakeman**

It was reported that there had been two Early Retiree Reimbursement Program reimbursements requested. One in the amount of \$1.2M for FY11 and a second for FY12 in the amount of \$1.6M. Notification was received that both requests are pending as a result of the program funding being exhausted. It is not likely that the Group Health Program will receive these requests unless funds previously paid are taken back through the reconciliation process. It is not anticipated that the Group Health Program will be notified of any additional reimbursements for some time. A total of \$12.4M was received and \$9.5M was committed to fill the gap for FY12.

Step Therapy for Multiple Sclerosis drugs, which was approved in January will go into effect on March 1, not April 1 as previously reported to the SEBC.

The Statewide Benefits Office (SBO) has conducted eight presentations/training sessions on the Disability Insurance Program. Four more are scheduled and two are pending. SBO staff has also worked with agencies and participated in HR meetings to instruct benefit representatives regarding the program. The rules will become effective when published in the Register of Regulations on March 1, 2012.

Ms. Visalli adjusted the agenda and moved the SEBAC and Public Comment agenda items to occur in advance of the committee taking any votes on today's action items.

### **Health Fund Financials – Vicki Ford (handout)**

It was reported that the fund balance on the Fund and Equity report as of January 31, 2012 was \$49 million (M). There was no significant change from December. There were no comments or questions.

Treasurer Flowers inquired about the status of the Insurance Commissioner's request for the committee to revisit the minimum reserve formula. Ms. Lakeman explained that options to adjust the formula will be re-addressed with the SEBC at the March 12, 2012 meeting.

### **Medical Plan Administration RFP Contract Award Recommendation – Faith Rentz (handout)**

A thorough background of the RFP was given. As a result of scoring, Blue Cross Blue Shield of Delaware and Aetna were chosen. Strengths of each were given. The Proposal Review Committee (PRC) recommended two third party administrators were optimal to provide employee choice for the HMO plan and the recently added Consumer Driven Health (CDH) plan. The First State Basic and Comprehensive PPO plans offer in network and out of network solutions (thus minimizing the possibility of network disruption) and the Medicare Supplement Plan as a secondary plan to Medicare would all continue to be administered by only one vendor.

As such the PRC recommended the following:

#### **Recommendation**

RESOLVED that with respect to the award of contracts pursuant to the Request for Proposal (RFP) for Medical Benefit Administrative Services for the State Group Health Insurance Program, the Proposal Review Committee recommends to the State Employee Benefits Committee as follows:

Contract award to Blue Cross Blue Shield of Delaware only subject to finalized contract and benefit design changes for administration of the following health plans on a self-insured basis:

- First State Basic Plan;
- Comprehensive PPO Plan;
- Special Medicfill (Medicare Supplement Plan); and
- Point of Service (POS) Plan (for Delaware Port Corporation employees only).

Contract award to both Aetna and Blue Cross Blue Shield of Delaware subject to finalized contract and benefit design changes for administration of the following health plans on a self-insured basis:

- Consumer Directed Health Plan; and
- HMO Plan.

Above plans and contracts will be effective July 1, 2012 with an initial term of two years with three one-year optional renewals.

Director Visalli thanked the PRC members, SEBC members who were involved and staff for all their work. Discussion followed. Justice Berger noticed that Aetna had a very small number of members versus Blue Cross and asked if the membership percentage was known. Per Ms. Lakeman, Aetna has approximately five percent of the Group Health Program membership. Justice Berger raised concern over their low enrollment and the administrative burden having a second vendor places on the Statewide Benefits Office. She proposed that the SEBC re-evaluate after one year, the need to continue utilizing Aetna for plan administration if their enrollment in the HMO and CDH plans does not increase. Ms. Visalli explained that this concern was discussed by the PRC and the proposal was feasible as long as members would have an opportunity to change plans and/or primary care providers if the relationship with Aetna is later discontinued. A commitment was made to re-evaluate in less than two years. Treasurer Flowers further questioned why the Aetna enrollment is low. Ms. Lakeman explained that the enrollment has shifted to Blue Cross over the last several years and that the Statewide Benefits Office will continue to monitor changes in enrollment across the two vendors. It was noted that when Coventry administered an HMO plan for the Group Health Insurance Program, their percentage of membership was much higher.

#### **Employer Group Waiver Plan (EGWP) – Brenda Lakeman (handout)**

The FY13 Budget Projections were reviewed:

- FY13 Expenditure Projections (\$623.3M)
- Less Premium Projections using FY12 Premium Rates \$584.1M
- Total Amount Needed for FY13 (\$39.2M)

EGWP discussion included a thorough overview of the program and advantages for the Group Health Insurance Program over continued participation in the Retiree Drug Subsidy Program (RDS). Financial considerations include that the plan receives monthly “capitation” payments.

Wraparound coverage allows plan to take advantage of the 50 percent brand manufacturer discount. The calendar year plan design will enable the Group Health Insurance Program to receive “catastrophic” reinsurance of 80 percent of claim cost above the “catastrophic” threshold. Medicare funding and manufacturer discounts directly offset the cost of the plan.

There are impacts on retirees. There will be a new prescription card showing Medco Medicare Part D plan. Some drugs are not covered under Part D, but will be covered by the wrap plan. New prior authorizations, step therapy and quantity limit authorizations will be needed. The retail pharmacy network remains intact with the exception of VA pharmacies. There will be additional premium assessed to high income earners.

There would be an \$8.1M reduction in plan costs annually (beyond RDS payments), with an estimated \$18M annual reduction in Medicare prescription plan costs. OPEB savings estimated to be:

- A reduction of \$1.4 Billion on a liability of \$7.1Billion – 20%
- A reduction of \$93.6M on an ARC of \$513.4Million – 18%

It was noted that the RDS payment does not reduce the OPEB liability, so this savings reflects the full value of the Medicare payments described previously.

#### FY13 Group Health Fund Projections

	January 2012
• FY13 Expenditure Projections	(\$614.3M)
• Less Premium Projections with adjustment of Medicare Supplement Premium Rates based on reduced plan costs	\$575.1M
• Total Amount Needed for FY13 remains at	(\$39.2M)

In depth discussion with questions and answers took place throughout the presentation.

#### **SEBAC Comment**

Ms. Griffin stated the SEBAC supports transitioning the Medicare eligible retirees to the Employer Group Waiver Medicare Part D Plan with wrap around coverage because of the cost savings to the state. The SEBAC asked that the impact upon Veterans and their inability to utilize a VA pharmacy be researched, monitored and minimized to the extent possible.

Ms. Lakeman explained that the impacted members will be identified and communicated with in advance. Efforts will be made to ensure they understand what must be done to obtain their medications. Statewide Benefits will also investigate the ability to contact the VA facilities to make them aware of the coverage changes for Group Health Insurance Program members.

## **Public Comment**

Dave Leiter, state employee, asked if the veterans would have to pay a higher co-pay. Ms. Lakeman explained their benefit and co-pay would be the same; however, their prescriptions would be obtained through a participating Medco pharmacy and not a VA pharmacy. Ms. Visalli confirmed that efforts will be made to make sure impacted members are aware and understand including the development of a communication strategy that addresses the older Medicare retiree population and considers that different communication modes may be necessary.

Mr. Leiter also provided his opinion as to why employees and retirees choose Blue Cross over Aetna stating that he feels there are additional benefits available through Blue Cross. Lastly, he asked the SEBC to consider options to reduce healthcare costs for the lower pay grade employees.

Thanks and appreciation was given for all their hard work, especially Ms. Rentz and Ms. Lakeman.

Mr. Testerman, DSEA, also thanked Ms. Lakeman and staff for all their work and answering their many questions with regards to EGWP. They also helped them feel comfortable with it.

Hugh Ferguson, DRSPA, also complimented the Statewide Benefits Office. He asked for additional information regarding the premiums for the Medicare retirees after implementation of the EGWP. Ms. Lakeman explained that there is data to support that Special Medic fill Medicare health plan rates will decrease initially under the EGWP model. Director Visalli commented that the EGWP implementation will possibly cause the future increases in these rates to be less. It was noted that members who retire prior to July 1, 2012 and meet the years of service requirements, receive their Special Medic fill medical and prescription coverage at no cost. The Group Health Insurance Program will continue to cover 100% of the premiums for those retirees.

Being no further public comment, Director Visalli asked for a motion on agenda item five, to accept the recommendations as presented for the Medical Plan Administration RFP Contract Award. Controller General Larson made the motion and Secretary Cook seconded. Upon unanimous voice approval the motion carried.

With regards to agenda item six, Ms. Lakeman read the following:

Motion to implement Employer Group Waiver Plan with Wrap for Medicare eligible retirees enrolled in Medicare supplement plan with prescription coverage effective January 1, 2013. The plan year for medical and prescription coverage for the Medicare eligible retirees will be changed to a calendar year effective January 1, 2013. The EGWP with wrap will be administered by Medco effective January 1, 2013.

Controller General Larson clarified that when they went to bid for the prescription provider, Medco was the successful bidder. Ms. Lakeman stated in the fall of 2010 a Request for Proposal

(RFP) for Prescription Benefit Management was released for an effective date of July 1, 2011. The contract was awarded to Medco for an initial two year term, with three one-year optional renewals. Questions were asked during the RFP process about the ability to administer EGWP. It was discussed with all vendors as a response to their RFP and during finalist interviews. Medco demonstrated the ability to administer an EGWP for the State Group Health Insurance Program as part of their RFP response. The initial two year term with Medco will end on June 30, 2013.

Director Visalli asked for a motion to approve as the motion was presented. Secretary Cook made the motion and Ms. Vaughn seconded the motion. Upon unanimous voice approval the motion carried.

#### **FY13 Group Health Insurance Program Planning – Faith Rentz and Brenda Lakeman (handout)**

This is the beginning of the process of understanding what is needed in terms of changes and/or funding for FY13 and what options the SEBC may want to consider. Ms. Rentz stated no action was needed on these items today.

#### **FY13 Topics for Discussion**

- DelaWELL Program Evaluation and FY13 Program Strategy
- House Bill 81 Rate Changes
- Prescription Drug Cost Management
  - Coverage Management Options
    - Hepatitis C
    - Arthritis Medications
  - Co-pay Change Options

#### **DelaWELL Health Management Program FY13 Planning**

- FY12 DelaWELL Health Management Program
- FY11 Condition Care Outcomes
- FY12 YTD Wellness Engagement
- FY13 DelaWELL Program Strategy

#### **FY12 DelaWELL Program**

- Alere Program Eligibility
- Condition Care Programs:
- Wellness
  - Rewards – Incentive Structure

#### **FY12 DelaWELL Accomplishments/Partnerships**

- Healthy Interactions Pilot
- WellDoc/AT&T Diabetes Pilot – Concludes May 2012
- Health Management Program Validation
- Beat the Pack Onsite Seminars
- Governor's Cup 5K Run/Walk and Health Fair – May 2012
- Quarterly Poster Campaigns
- Periodic Emails from the Governor

- Service on Council on Health Promotion and Disease Prevention – Executive Order 19
- Promote DHSS Healthy Vending Pilot

Details for the following topics were given:

- FY11 Condition Care Key Findings
- Enrollment/Engagement performance
- Utilization Performance
- Financial Performance
- Care Alerts
- Condition Care Recommendations
- Wellness Participation – FY11, FY12 YTD and Estimated FY12
- Health Impact Changes from FY11 to FY12 YTD based on Health Risk Assessments
  - Risk Factor Distribution
  - Medical Risk Reductions
  - Lifestyle Risk Reductions

FY13 DelaWELL Enhancements

- Early Bird Incentive Opportunity
- Weight Watchers
- Tobacco Cessation Programs
- FY13 DelaWELL Rewards Incentive Structure
- Incentive Funding Update – No funds requested for FY13

FY13 Plan Rates illustrating HB81 changes only were presented. Prescription drug cost management proposals included management options for Hepatitis C and Rheumatoid Arthritis medications. Estimated annual savings for the drug management proposals would total \$104,000 to \$154,000. Several member co-pay options were presented following a discussion on the cost share erosion that has occurred in recent years and as a result of no changes in co-pays for six years. Changes to the member co-pays could result in savings ranging from \$627,000 to \$2.0M. Additional savings could be realized for increases in the Group Health Program's generic dispensing rate. Approximately 2% of total plan cost or \$3M for every point increase. FY13 plan rates illustrating HB81 changes with 3 percent increase in total rates were shown. A 3% increase in total rates across all plans would yield \$17.52M in savings.

Next steps

- Review Updated FY12 and FY13 Projections – based on claims through 12/31/11
- Review Adjustments to the Minimum Reserve Formula –January 30, 2012 Risk Based Capital Discussion
- Consider Options to Close Gap

Discussion with questions and answers were intermingled.

**SEBAC Comment**

Ms. Griffin reported that SEBAC enthusiastically endorses the proposed changes to DelaWELL related to incentives, Weight Watchers and tobacco cessation.

**Other Business**

None.

Director Visalli reminded all that the next SEBC meeting date is Monday, March 12<sup>th</sup> at 2 p.m. She requested a motion to end the meeting. Treasurer Flowers made the motion and Lori Christiansen on behalf of the Controller General Larson seconded the motion. The meeting was adjourned at 3:39 p.m.

Respectfully submitted,

Mary K. Thuresson  
Administrative Specialist  
Statewide Benefits Office, OMB